

**A number of insurance companies are using credit information to decide whether to issue or renew policies, or to decide what premiums to charge. This brochure is designed to help you understand how your credit information is being used and how it affects your insurance purchases.**

### **Why are credit scores used?**

Many insurance companies believe that credit scores help them underwrite better. This is because insurance companies have shown that a direct relationship exists between a person's credit score and that person's likelihood to file a claim. In other words, the better the credit score, the fewer the claims filed.

### **What is the difference between a credit report and a credit score?**

Your credit report is a detailed history of your financial behavior. It contains specific information on your payment history, outstanding debt, length of credit history, bankruptcies, foreclosures, types of credit used, and recent applications for credit. A credit score is a summary of that information shown as a single number.

### **How is a credit score determined?**

A credit score is determined by placing numerical weights on different aspects of your credit report and applying a mathematical formula to develop the final score.

### **Do all insurance companies use the same score?**

No. Each insurance company customizes the weights it places on the different aspects of its insureds' credit reports based on the company's loss experience. By shopping around for insurance coverage, you might find differences in companies' credit scores and their premiums.

### **Does my insurance company need my permission to pull my credit report?**

No. This is allowed by federal law.

### **Can my credit score affect my premium?**

Some insurance companies use credit scores to determine how much premium they will charge you, or which company within their group of companies they will place you. If you have a good credit score, you may see a reduction in your insurance premiums.

### **What if I don't have any credit history?**

If an insurance company cannot obtain credit information on you, you may pay a higher rate for insurance. Even though your insurance company may not charge you its highest rate, it is likely that the company will not give you its best rate.

### **Can an insurance company refuse to issue or non-renew my policy because of my credit score?**

Yes, it can. However, if a company non-renews your policy, the company must advise you that the reason is based on credit information and inform you that you have the right to obtain a free copy of your credit report.

### **What factors can influence my credit score?**

Some of the more common factors include the following:

- Number and frequency of late pays
- Length of time you have had credit
- Bankruptcies, foreclosures, liens, etc.
- Number of credit lines open
- Number of times you have applied for new accounts and mortgages
- How much you owe compared to your available credit

### **Will my income affect my credit score?**

No. Income is not a factor that is considered when determining your credit score. In addition, neither race, religion, gender, marital status, nor birthplace can be used to develop a credit score.

### **What can I do to improve my credit score?**

It can take time, but you can improve your score by changing the way you handle your debt and access to credit. Paying bills on time, reducing the amount of debt to the amount of credit available, limiting the number of credit cards and other lines of credit, and not applying for new ones can improve your credit score.



### **How can I check on my credit history to be sure that it is correct?**

There are three major credit bureaus that maintain credit information. You can contact them using their toll free numbers or through their websites listed here and, for a fee, obtain a copy of your credit report.

*Equifax 1-800-685-1111*  
*([www.equifax.com](http://www.equifax.com))*

*Trans Union 1-800-916-8800*  
*([www.tuc.com](http://www.tuc.com))*

*Experian 1-800-682-7654*  
*([www.experian.com](http://www.experian.com))*

### **Who can I call if I have other questions?**

If you have any additional questions regarding credit scoring or any other insurance topic, please contact the Bureau of Insurance's Property and Casualty Consumer Services Section by phone, letter, or e-mail.

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# **Credit Scoring**

## **How It Affects Your Automobile and Homeowners Insurance**

Prepared by the  
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Bureau of Insurance

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